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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

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May 19, 2004

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MAY 21 2004

Federal Communications Commission
Office of the Secretary

The Honorable Michael Powell
Chairman
Federal Communications Commission
445 12th St., SW
Washington, DC 20554

Dear Chairman Powell:

As you know, the Senate Committee on Commerce, Science, and Transportation has closely examined the issue of escalating cable rates in recent hearings. Cable rates have increased more than 50% since 1996 – almost three times the rate of inflation. These hearings have reinforced my concern that consumers lack options that would help them control the rising cost of cable and satellite television. When it comes to purchasing cable channels beyond the basic tier today, consumers have virtually no choice but to pay for a large package of expanded basic channels even if they watch only a couple of the channels. I am writing to ask you to explore all available options within your authority to promote à la carte cable and satellite offerings as soon as possible where such offerings would benefit consumers.

Cable executives appeared before the Commerce Committee last year and proclaimed the merits of à la carte pricing options, particularly with respect to certain expensive sports programming. Charles Dolan, the Chairman of Cablevision, testified that new digital technology gives cable operators the capability to offer consumers more nuanced choices: "...this new technology gives our customers greater choice, the power to create the menu they want on the television screens in their homes. Cablevision, as a policy, wants its customers to be able to pick and choose among its services, selecting what appeals to them, rejecting what does not, determining for themselves how much they will spend, just as they do every day in the supermarket or the shopping mall. Unfortunately, our customers' shopping carts face a littered road ahead, debris left over from our industry's long technological and legislative history. Unwanted programming is being forced into the home, particularly sports programming."

Likewise, James Robbins, President and CEO of Cox Communications, in the same hearing, stated that "if operators had the flexibility to sell these networks, sports channels or others, on an optional tier, consumers would gain a significant opportunity to

manage their cable expenditures. Likewise, programmers would be motivated to keep their prices reasonable to remain on expanded basic cable lineups."

Moreover, the Committee recently heard testimony regarding the availability of à la carte pricing for digital cable consumers in Canada. I urge the Commission to probe the options available to Canadian consumers and examine why such options are not available to American consumers.

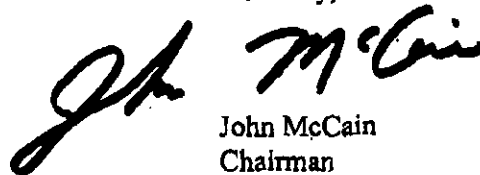
À la carte pricing would enable consumers to pay for only those channels they want to watch. It would undoubtedly benefit those consumers who watch only three or four cable channels or who may be on a limited budget. It may also have the effect of disciplining cable rates overall. Finally, it would allow parents to reject channels that they find objectionable without being required to pay for the very same programming.

The cable industry regularly touts the value its expanded basic tier delivers to consumers noting that it "costs less than taking a family of four to a movie or professional sporting event." I do not believe that the cable industry should be forced to eliminate their current pricing plans. If the expanded basic package is such a great value, then few consumers will choose an à la carte option when offered, and the cable industry's predictions about the negative effect of such options on some cable networks should prove baseless. If, on the other hand, consumers reject the expanded basic package in sizeable numbers, then it would demonstrate that today's one-size-fits-all, take-it-or-leave-it packages are not such a great value.

Notwithstanding the comments of the industry's own executives, the use of à la carte pricing in Canada, and the potential benefits to consumers, the cable industry continues to fight every effort to provide choice to consumers. Unfortunately, we will never know the true effect of an à la carte pricing option as long as the industry refuses to allow it. That is why I urge you to use any existing authority you have to promote, or to create incentives to promote, an à la carte pricing option, in conjunction with whatever tiers cable and satellite companies already offer. I believe that some cable and satellite companies may be willing to offer consumers more choice if they had the ability to do so. I urge you to explore the Commission's options for creating the right environment to allow this to happen.

Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John McCain", is written over a printed name and title.

John McCain
Chairman